

CONTROLLER STEVE WESTLY

STATE OF CALIFORNIA

300 Capitol Mall
Sacramento, CA 95814
916.445.2636
www.controller.ca.gov

FOR IMMEDIATE RELEASE:
NOVEMBER 15, 2004

CONTACT: PAUL HEFNER
916-324-2356

CalPERS Backs Westly Reform Proposals

Executive Compensation and Emerging Markets Strategies Win Broad Support

SACRAMENTO – CalPERS board members today approved a new executive compensation strategy linking CEO pay to long-term company performance, a centerpiece of California State Controller Steve Westly's reform proposals.

"CalPERS has a special responsibility to look out for members and taxpayers, and our new strategy meets that test," Westly said. "We're taking a giant step towards ensuring that CEO salaries don't skyrocket while stock performance heads south."

The plan adopted by CalPERS Investment Committee calls for:

- Linking executive pay to long-term company performance
- Prioritizing disclosure and transparency of executive compensation policies
- Focusing on companies that have the worst pay-for-performance policies and recognizing those with the best.

The strategy calls for CalPERS to withhold proxy votes for selected compensation committee members with the worst practices, including those who sit on multiple boards with poor pay-for-performance links or who back egregious severance packages.

The pension fund will also engage the largest companies with abusive compensation practices within each industry. Beginning in 2005, CalPERS will coordinate institutional investor support to urge use of its pay-for-performance model. CalPERS will also develop and submit to the SEC a comprehensive proposal for increased executive compensation disclosure.

The strategy matches proposals Westly outlined in June.

The Investment Committee also approved a formal policy for evaluating investments in emerging markets. Earlier this year, Westly called for adoption of a formal policy after CalPERS nearly removed the Republic of the Philippines from the list of emerging markets eligible for investment.

"This policy sets clear guidelines for investing in some of the world's fastest growing economies," Westly said.

###